

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 2302 - Gambling (LSB 6473 H-8147.2)

Analyst: Douglas Wulf (Phone: (515) 281-3250) (douglas.wulf@legis.state.ia.us)

Fiscal Note Version - House File 2302 as Amended and Passed by the House

Description

House File 2302 as amended and passed by the House changes the gaming tax rates, allows for table games at all racetrack casinos, allows for conversion of a riverboat to a barge, provides for prepayment of taxes upon the issuance of a table gaming license at a racetrack casino, and provides for a cash payment from the racetracks for settlement of the Court Case.

Assumptions

1. The Racing and Gaming Commission (Commission) estimates that table gaming licenses would not be purchased until the later half of FY 2005 and that there would be little or no fiscal impact on increased gaming tax revenues until FY 2006.
2. Establishes a differential tax on racetrack casinos of 22.0% on those below \$100.0 million in adjusted gross revenues (AGR) and 24.0% on those above \$100.0 million in adjusted gross revenues and all three racetrack casinos will add table games. All gambling boats will pay a tax rate of 22.0%.
3. Should Bluffs Run racetrack casino decide not to expand with table games, its tax rate would then be 22.0% of adjusted gross revenues. However, according to the Bill, whether or not Dubuque or Prairie Meadows adds table games their rates would remain 22.0% and 24.0% respectively.
4. Without the proposed change in tax rate, the amount of State gaming tax receipts is estimated to be \$180.9 million.
5. The State will receive a one-time payment of a gambling games tax, retroactive to July 1, 2002, of 22.0% of adjusted gross revenues from racetracks with an AGR of less than \$100.0 million and 24.0% for racetracks with an AGR over \$100.0 million. This section takes effect upon enactment. This rate continues through the end of FY 2004.
6. Upon issuance of a table gaming license, racetracks with an AGR below \$100.0 million will pay a \$3.0 million license fee for adding table games and a track with an AGR above \$100.0 million will pay a license fee of \$10.0 million. This application fee may be used as a tax credit on future taxes owed to the State up to 20.0% per year over a five-year period.
7. Provides an increase in the allocation of gaming tax receipts to the Gambler's Treatment Fund of 0.2%, bringing the allocation to 0.5%.
8. Increases the contribution from the State lottery to the Gambler's Treatment Fund from 0.3% to 0.5% of the gross lottery revenue.
9. Establishes a new allocation of gaming tax receipts for a County Endowment Fund in the State treasury under control of the Department of Revenue of 0.5%. These funds would be disbursed to counties in which no gaming license has been issued.
10. The new tax rate retains the current tax rate of 5.0% on the first \$1.0 million and 10.0% on the next \$2.0 million of AGR.

Correctional Impact

The correctional impact of HF 2302 as amended and passed by the House cannot be determined due to insufficient information. However, a person under age 21 who is caught gambling at a racetrack casino or gambling boat is guilty of a scheduled violation with a fine of \$500. Based on the level of convictions for similar offenses under current law, the impact is not expected to be significant.

Fiscal Impact

House File 2302 as amended and passed by the House will provide an estimated \$218.7 million in State gaming tax receipts annually and generate \$23.7 million in one-time racetrack receipts in FY 2004 from the retroactive tax due to the settlement of the Court Case.

All tracks will pay the licensing fee for table games and take the full tax credit each year over a five-year period. This will result in a reduction in estimated annual receipts of \$4.6 million, for net State gaming tax receipts of \$214.1 million annually.

Gaming Tax receipts to cities and counties would remain at 0.5% of adjusted gross receipts (\$5.0 million each) and the Gambler's Treatment Fund and the new Community Endowment Fund would also receive 0.5% (\$5.0 million each).

The increase from 0.3% to 0.5% of gross lottery revenue will result in an estimated \$349,000 increase for the Gambler's Treatment Fund and an equal reduction to the General Fund.

Sources

Racing and Gaming Commission
Legislative Services Agency
Department of Human Rights, Criminal and Juvenile Justice Planning Division

Dennis C Prouty

March 3, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Exhibit 1

Estimated State Gaming Tax Receipts

Racetracks	Adjusted Gross Revenue REC Estimate for FY 2004	Assume Tax Rate of 20.0% Post Court	Assume Tax Rate of 32.0% Pre-Court	HF 2302 As Amended Tax Structure	HF 2302 As Amended Tax Rate
Bluffs Run - Slots	\$ 123,200,000	\$ 22,688,400	\$ 37,112,400	\$ 27,496,400	24.00%
Bluffs Run - Table Games	15,000,000	0	0	2,724,000	24.00%
Dubuque Greyhound Park - Slots	41,500,000	7,410,500	12,030,500	8,180,500	22.00%
Dubuque - Table Games	5,000,000	0	0	1,035,000	22.00%
Prairie Meadows - Slot	153,510,000	28,356,370	46,417,570	34,376,770	24.00%
Prairie Meadows - Table Games	45,000,000	0	0	9,534,000	24.00%
Total Tracks	\$ 383,210,000	\$ 58,455,270	\$ 95,560,470	\$ 83,346,670	

Excursion Gambling Boats	Adjusted Gross Revenue REC Estimate for FY 2004	Assume Tax Rate of 20.0% Post Court	Assume Tax Rate of 20.0% Pre-Court	HF 2302 As Amended Tax Structure	HF 2302 As Amended Tax Rate
Rhythm City (Davenport)	\$ 67,980,000	\$ 12,362,260	\$ 12,362,260	\$ 13,661,860	22.00%
Mississippi Belle (Clinton)	27,742,000	4,837,754	4,837,754	5,332,594	22.00%
Diamond Jo Casino (Dubuque)	51,294,000	9,241,978	9,241,978	10,207,858	22.00%
Catfish Bend (Burlington/Ft. Madison)	28,560,000	4,990,720	4,990,720	5,501,920	22.00%
Belle of Sioux City (Sioux City)	41,616,000	7,432,192	7,432,192	8,204,512	22.00%
Isle of Capri Marquette (Marquette)	40,290,000	7,184,230	7,184,230	7,930,030	22.00%
Isle of Capri Bettendorf (Bettendorf)	101,000,000	18,537,000	18,537,000	20,497,000	22.00%
Harrahs (Council Bluffs)	107,670,000	19,784,290	19,784,290	21,877,690	22.00%
Ameristar Casino (Council Bluffs)	150,450,000	27,784,150	27,784,150	30,733,150	22.00%
Lakeside (Osceola)	57,165,000	10,339,855	10,339,855	11,423,155	22.00%
Total Boats	\$ 673,767,000	\$ 122,494,429	\$ 122,494,429	\$ 135,369,769	

Total Racetracks and Boats		\$ 180,949,699	\$ 218,054,899	\$ 218,716,439	
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Retro-active Additional Tax on Racetrack Casino Due to Settlement of Court Case

Racetracks	Actual Adjusted Gross Revenue FY 2003	Retro-active Additional Tax of 4.0%/2.0%/4.0% Additional	Adjusted Gross Revenue REC Estimate for FY 2004	Retro-active Additional Tax of 4.0%/2.0%/4.0% % Additional	Rate for Each Track
Bluffs Run	\$ 123,141,064	\$ 4,925,643	\$ 123,200,000	\$ 4,928,000	4.00%
Dubuque	41,335,064	826,701	41,500,000	830,000	2.00%
Prairie Meadows	150,421,234	6,016,849	153,510,000	6,140,400	4.00%
	\$ 314,897,362	\$ 11,769,193	\$ 318,210,000	\$ 11,898,400	

Total Escrow Payments	\$ 23,667,593				
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